



## House Budget and Research Office

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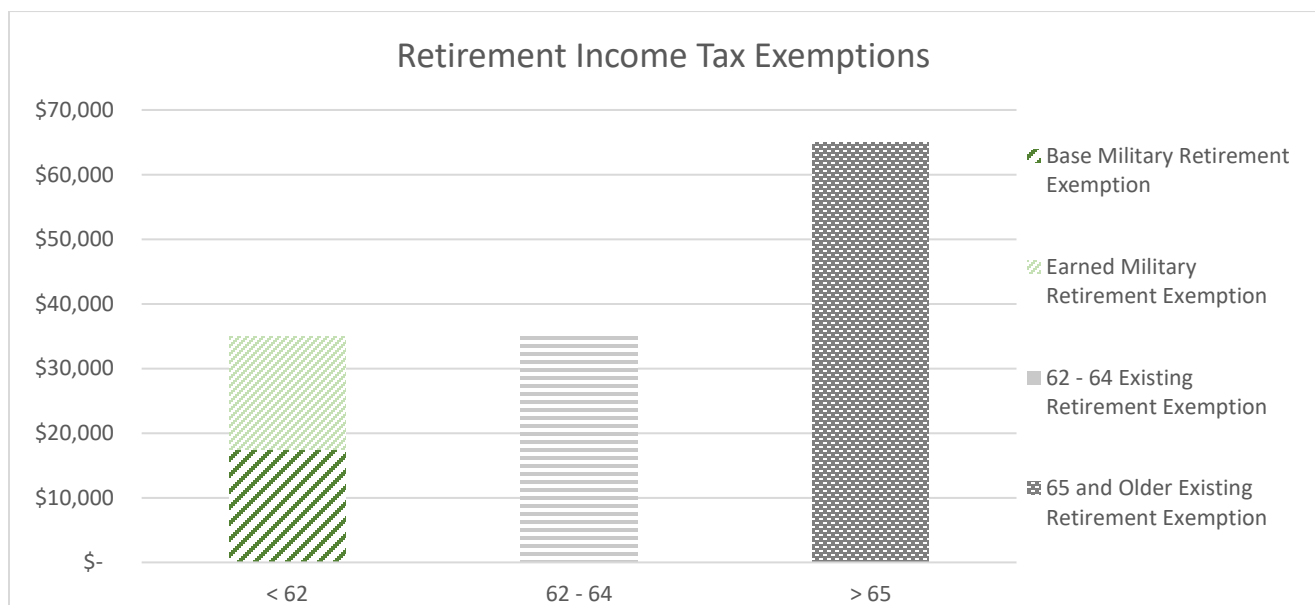
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### Effect of HB 1064 on the Taxation of Military Retirement Payments

Since 2012, Georgia retirees have enjoyed an income tax exemption on their retirement earnings. Currently, the state excludes \$65,000 in retirement income for taxpayers 65 years of age and older and \$35,000 for taxpayers 62 to 64 years of age. Retirement income includes income from: pensions and annuities; interest; dividends; net income from rental property; capital gains; royalties; and up to \$4,000 of earned income, which increases to \$5,000 beginning in Tax Year 2024. Retirement income also includes military retirement payments. During the 2022 Session, the General Assembly took action to extend the exemption for retirement income to include military retirement payments for those Georgians younger than 62 years of age.

[HB 1064](#) by Rep. Jesse Petrea was signed into law on April 18<sup>th</sup> and is effective for the current 2022 Tax Year. In an effort to demonstrate appreciation to Georgia taxpayers for their military service, the bill adds two income tax exemptions for military retirement payments received by taxpayers who are less than 62 years of age. The first exemption of up to \$17,500 of military retirement income is available for all taxpayers less than 62 years of age regardless of current employment status; the second exemption of up to \$17,500 of military retirement income is available for individuals less than 62 years of age who have at least \$17,500 of earned income. These two exemptions are separate from the existing retirement income exemption currently available for all Georgia seniors and are not available past the age of 62.

Married taxpayers filing a joint income tax return are treated individually with respect to qualifying for the military income tax exemption, so their military retirement income and earned income are not combined when qualifying for the exemptions, but must be met individually.



**Examples:**

Susan retires from the military at age 45 and begins receiving military retirement of \$45,000 while working and earning \$50,000 in earned income. She receives the first exemption of \$17,500 in military retirement income, as well as the second exemption of \$17,500 in military income because she earned over \$17,500 while working. As long as she continues to earn over \$17,500 in earned income each year, Susan continues to receive both exemptions until she reaches age 62, at which point she will receive the standard \$35,000 retirement exemption available to all taxpayers.

Tom retires from the military at age 39 and begins receiving military retirement of \$30,000 but does not work full-time and earns only \$10,000 in earned income. He receives the first exemption of \$17,500 in military retirement income but not the second exemption of \$17,500 in military income because he did not earn over \$17,500 while working. If in future years Tom earns over \$17,500 in earned income, he would become eligible to receive both exemptions until he reaches age 62. Tom would then be eligible to exempt his full military retirement pension of \$30,000, but the exemption does not apply to his earned income.

David and Hannah are married and both retired from the military at age 50. David receives military retirement of \$20,000 and Hannah receives military retirement of \$50,000. Both veterans are working and earning \$50,000 each. Given their earned incomes, they are each eligible for \$35,000 in military retirement income exemptions; however, since David is receiving \$20,000 in military retirement income and not able to fully utilize the \$35,000 exemption, they are not able to utilize a combined \$70,000 in exemptions. Instead, the couple receives a total exemption of \$55,000 (\$20,000 for David and \$35,000 for Hannah).